

Wright Medical Center
Clarion, Iowa
Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs
Years Ended June 30, 2007 and 2006

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Wright Medical Center

June 30, 2007 and 2006

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**Wright Medical Center
Clarion, Iowa**

Board of Commissioners 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Horton	President	June 2009
Judith Ritter	Vice-President	June 2009
Scott Whyte	Secretary-Treasurer	June 2008
Ken Stoakes	Member	June 2008
Carrie Ann Olson	Member	June 2007
Dr. Michael Whitters	Member	June 2009

Hospital Officials

Steve Simonin	Chief Executive Officer	Indefinite
Amy McDaniel	Chief Financial Officer	Indefinite

Independent Auditor's Report

To the Board of Commissioners
of Wright Medical Center:

I have audited the accompanying basic financial statements of Wright Medical Center as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Wright Medical Center's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wright Medical Center as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 25, 2007 on my consideration of Wright Medical Center's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 8 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audits were performed for the purpose of forming opinions on the financial statements that collectively comprise Wright Medical Center's basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 25, 2007
David L. Seiler, CPA

Management's Discussion and Analysis

Management of Wright Medical Center provides this Management's Discussion and Analysis of Wright Medical Center's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Hospital's financial statements, which follow.

2007 Financial Highlights

- ◆ The Hospital's operating income increased by 88.9%, or approximately \$968,000, from fiscal 2006 to fiscal 2007.
- ◆ Net patient service revenues increased 56.7%, or approximately \$11,090,000, from fiscal 2006 to fiscal 2007.
- ◆ Operating expenses increased 49.2%, or approximately \$10,335,000, from fiscal 2006 to fiscal 2007.
- ◆ Gifts and bequests increased approximately \$3,300, from fiscal 2006 to fiscal 2007.
- ◆ The Hospital's net assets increased 19.1%, or approximately \$1,746,000, from June 30, 2006 to June 30, 2007.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Hospital's financial activities.

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the activities of the Hospital, on a comparative basis, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Hospital's budget for the year.

Other Supplementary Information provides detailed information about the operations of the Hospital.

Reporting the Hospital's Financial Activities

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Hospital's finances is "Is the Hospital as whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets, which is the difference between assets and liabilities, as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic conditions, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

Financial Analysis of the Hospital

As noted earlier, net assets may serve over time as a useful indicator of financial position. The hospital's net assets increased by \$1,746,000 (19.1%) from fiscal 2006 to fiscal 2007, and by \$981,000 (12.0%) from fiscal 2005 to fiscal 2006.

Assets, Liabilities and Net Assets

	2007	2006	2005
Current assets	\$ 9,771,802	\$ 7,046,727	\$ 5,847,537
Capital assets	10,120,484	10,817,531	9,686,944
Other assets	<u>710,689</u>	<u>653,143</u>	<u>122,069</u>
Total assets	<u>20,602,975</u>	<u>18,517,401</u>	<u>15,656,550</u>
Current liabilities	3,774,764	3,119,653	1,998,033
Long-term debt	<u>5,955,618</u>	<u>6,271,308</u>	<u>5,513,502</u>
Total liabilities	<u>9,730,382</u>	<u>9,390,961</u>	<u>7,511,535</u>
Unrestricted net assets			
Invested in capital assets, net of related debt	\$ 3,849,701	\$ 4,234,770	\$ 4,003,490
Unrestricted	<u>7,022,892</u>	<u>4,891,670</u>	<u>4,141,525</u>
Total net assets	<u>10,872,593</u>	<u>9,126,440</u>	<u>8,145,015</u>

The following shows the changes in net assets for the Hospital.

**Revenues, Expenses and Changes in Net Assets
Year Ended June 30,**

	2007	2006	2005
Operating revenues:			
Net patient service revenue	\$ 30,645,901	\$ 19,556,214	\$ 13,503,797
Other operating revenue	<u>2,754,099</u>	<u>2,540,883</u>	<u>2,337,816</u>
Total operating revenue	<u>33,400,000</u>	<u>22,097,097</u>	<u>15,841,613</u>
Operating expenses:			
Nursing service	12,835,072	6,641,962	3,355,146
Other professional service	7,112,739	4,733,039	3,740,719
General service	1,949,233	1,784,861	1,405,018
Fiscal and administrative service	3,503,662	2,569,541	1,960,880
Residential service	320,722	356,566	278,711
Clinic	2,758,850	2,514,266	2,452,602
Retail pharmacy	1,705,075	1,578,809	1,400,726
Fitness center	146,246	82,539	59,928
Provision for depreciation	<u>1,012,001</u>	<u>746,657</u>	<u>686,470</u>
Total operating expenses	<u>31,343,600</u>	<u>21,008,240</u>	<u>15,340,200</u>
Operating income	<u>2,056,400</u>	<u>1,088,857</u>	<u>501,413</u>
Non-operating revenues (expenses):			
Gifts and bequests	7,386	4,048	41,190
Interest and amortization of financing costs	(342,231)	(170,043)	(130,411)
Investment income	<u>24,598</u>	<u>58,563</u>	<u>40,108</u>
Total non-operating revenues (expenses)	<u>(310,247)</u>	<u>(107,432)</u>	<u>(49,113)</u>
Transfer from Foundation	-	-	-
Increase in net assets	1,746,153	981,425	452,300
Net assets beginning of year	<u>9,126,440</u>	<u>8,145,015</u>	<u>7,692,715</u>
Net assets end of year	<u>\$ 10,872,593</u>	<u>\$ 9,126,440</u>	<u>\$ 8,145,015</u>

Operating Income

The first component of the overall change in the Hospital's net assets is its operating income, which is the difference between the sum of the net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating income. The Hospital was formed and is operated primarily to serve residents of Wright County and the surrounding area. The Hospital provides resources to enable the facility to serve lower income and other residents without the ability to pay for services received.

The operating income for fiscal 2007 increased by \$968,000, or 88.9%, compared to fiscal 2006. The primary component of the increased operating income is:

- An increase in total operating revenues of \$11,300,000, or 51.2%.

The operating income for fiscal 2006 increased \$587,000, or 117.2% compared to fiscal 2005. The primary component of the increased operating income was a \$6,255,000 or 39.5% increase in operating revenues.

Non-operating revenues and expenses consist primarily of gifts and bequests and investment income, less interest expense. Investment income decreased \$34,000, or 58.0% in FY07 as compared to FY06, and gifts and bequests increased \$3,300.

Investment income increased \$18,500, or 46.0%, in FY06 as compared to FY05, and gifts and bequests decreased \$37,100.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Hospital had \$10,120,000 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 and 5 to the financial statements. In fiscal 2007, the Hospital acquired or constructed capital assets costing \$315,000, financed by funds designated by the Board of Trustees.

Long-term Debt

At June 30, 2007, the Hospital had outstanding revenue bonds totaling \$6,270,000, as detailed in Note 7 to the financial statements. The Hospital's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. There have been no changes in the Hospital's debt ratings during the past two years.

Economic Factors

Wright Medical Center continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Hospital officials. Some of the realities that may potentially become challenges for the Hospital to meet are:

- Drug costs will continue to increase.
- Facilities at the Hospital require constant maintenance and upkeep.
- Shortages in finding qualified employees.
- Potential changes in Medicare and Medicaid reimbursement rates.

The Hospital anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Hospital's ability to react to unknown issues.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report and or need additional financial information, contact Wright Medical Center Administration, 1316 S. Main Street, Clarion, Iowa.

Wright Medical Center
Statements of Net Assets
June 30, 2007 and 2006

Assets

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 1,942,126	\$ 1,335,650
Patient receivables, net of allowances of \$2,832,000 in 2007 and \$2,388,634 in 2006	6,449,144	4,749,561
Other receivables	371,291	160,010
Inventories	836,533	577,905
Prepaid expenses (Note 12)	<u>192,708</u>	<u>223,601</u>
 Total current assets	 9,791,802	 7,046,727
Noncurrent Assets		
Prepaid expenses (Note 12)	597,804	546,014
Deferred financing costs, net of accumulated amortization of \$222,514 in 2007 and \$208,270 in 2006	92,885	107,129
Capital assets:		
Land and construction in progress, not being depreciated	123,106	5,215,737
Other capital assets being depreciated	20,049,221	14,641,636
Less accumulated depreciation	<u>(10,051,843)</u>	<u>(9,039,842)</u>
 Net capital assets	 <u>10,120,484</u>	 <u>10,817,531</u>
 Total noncurrent assets	 <u>10,811,173</u>	 <u>11,470,674</u>
 Total assets	 <u>\$ 20,602,975</u>	 <u>\$18,517,401</u>

See Notes to Financial Statements

Liabilities

	2007	2006
Current Liabilities		
Excess of outstanding checks over bank balance	\$ -	\$ 288,031
Accounts payable	1,622,738	980,569
Accrued payroll	853,391	579,091
Accrued expenses - other	82,450	87,151
Due to third parties – prior years	203,000	77,260
Notes payable - bank	650,000	750,000
Current maturities of long-term debt	315,165	311,453
Apartment deposits payable	<u>48,020</u>	<u>46,098</u>
Total current liabilities	3,774,764	3,119,653
Long-term debt, excluding current maturities	<u>5,955,618</u>	<u>6,271,308</u>
Total liabilities	<u>9,730,382</u>	<u>9,390,961</u>
Net Assets		
Invested in capital assets, net of related debt	3,849,701	4,234,770
Unrestricted	<u>7,022,892</u>	<u>4,891,670</u>
Total net assets	<u>10,872,593</u>	<u>9,126,440</u>
Total liabilities and net assets	<u>\$ 20,602,975</u>	<u>\$ 18,517,401</u>

Wright Medical Center
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Net patient service revenue	\$ 30,645,901	\$ 19,556,214
Other operating revenues	<u>2,754,099</u>	<u>2,540,883</u>
Total operating revenues	33,400,000	22,097,097
Operating Expenses:		
Nursing service	12,835,072	6,641,962
Other professional service	7,112,739	4,733,039
General service	1,949,233	1,784,861
Fiscal and administrative service	3,503,662	2,569,541
Residential service	320,722	356,566
Clinic	2,758,850	2,514,266
Retail pharmacy	1,705,075	1,578,809
Fitness center	146,246	82,539
Provision for depreciation	<u>1,012,001</u>	<u>746,657</u>
Total operating expenses	<u>31,343,600</u>	<u>21,008,240</u>
Operating Income	<u>2,056,400</u>	<u>1,088,857</u>
Non-Operating Revenues (Expenses):		
Gifts and bequests	7,386	4,048
Interest and amortization of financing costs	(342,231)	(170,043)
Investment income	<u>24,598</u>	<u>58,563</u>
Total non-operating revenues (expenses)	<u>(310,247)</u>	<u>(107,432)</u>
Changes in Net Assets	1,746,153	981,425
Net Assets, Beginning of Year	<u>9,126,440</u>	<u>8,145,015</u>
Net Assets, End of Year	<u>\$ 10,872,593</u>	<u>\$ 9,126,440</u>

Wright Medical Center
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Cash received from patient services	\$30,743,447	\$17,813,814
Cash paid to suppliers and employees	(29,797,434)	(19,772,658)
Other operating revenues	<u>871,429</u>	<u>834,316</u>
Net cash provided by (used for) operating activities	<u>1,817,442</u>	<u>(1,124,528)</u>
Cash Flows From Non-capital Financing Activities		
Unrestricted contributions received	<u>7,386</u>	<u>4,048</u>
Net cash provided by non-capital financing activities	<u>7,386</u>	<u>4,048</u>
Cash Flows From Capital and Related Financing Activities		
New revenue bonds issued	-	1,090,488
Acquisition and construction of capital assets	(314,954)	(1,877,244)
Principal paid on long-term debt	(311,978)	(191,182)
Interest paid on long-term debt	<u>(327,987)</u>	<u>(155,103)</u>
Net cash used for capital and related financing activities	<u>(954,919)</u>	<u>(1,133,041)</u>
Cash Flows From Investing Activities		
Investment income	<u>24,598</u>	<u>58,563</u>
Net cash provided by investing activities	<u>24,598</u>	<u>58,563</u>
Net Increase (Decrease) in Cash and Cash Equivalents	894,507	(2,194,958)
Cash and Cash Equivalents, Beginning of Year	<u>1,047,619</u>	<u>3,242,577</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,942,126</u>	<u>\$ 1,047,619</u>

Wright Medical Center
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet		
Cash and cash equivalents	\$ 1,942,126	\$ 1,335,650
Excess of outstanding checks over bank balance	<u>-</u>	<u>(288,031)</u>
Total cash and cash equivalents	<u>\$ 1,942,126</u>	<u>\$ 1,047,619</u>
 Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	<u>\$ 2,056,400</u>	<u>\$ 1,088,857</u>
Adjustments to reconcile operating income to net cash used for operating activities		
Depreciation	1,012,001	746,657
Changes in assets and liabilities		
(Increase) in receivables	(1,699,583)	(2,799,377)
(Increase) in other receivables	(211,281)	(23,850)
(Increase) in inventories	(258,628)	(189,207)
(Increase) in prepaid expenses	(20,897)	(639,696)
Increase in accounts payable	642,169	377,426
Increase in accrued payroll	274,300	182,383
(Decrease) increase in accrued expenses	(4,701)	9,850
Increase (decrease) in apartment deposits	1,922	(1,831)
Increase in estimated amount due to third parties	125,740	(625,740)
(Decrease) increase in note payable - bank	<u>(100,000)</u>	<u>750,000</u>
Total adjustments	(238,958)	(2,213,385)
Net cash provided by (used for) operating activities	<u>\$ 1,817,442</u>	<u>\$ (1,124,528)</u>
 Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Interest capitalized	<u>\$ -</u>	<u>\$ 134,385</u>

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 1: Summary of Significant Accounting Policies

Organization

Wright Medical Center is a city public hospital organized under Chapter 37 of the Code of Iowa and governed by a six-member board of commissioners elected for terms of three years.

The Hospital's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Wright Medical Center has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

Component Unit

The Hospital is legally separate from the city of Clarion, but financially accountable to the city. The Hospital's operating budget is subject to the approval of the City Council. Wright Medical Center has no component units which meet the Governmental Accounting Standards Board Criteria.

Basis of Presentation

The Statement of Net Assets displays the Hospital's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 1: Summary of Significant Accounting Policies – Continued

Basis of Presentation - Continued

Unrestricted net assets consist of net assets not meeting the definition of the other preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Hospital's policy to use restricted resources first.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Hospital applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents – The Hospital considers savings accounts and all other highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 1: Summary of Significant Accounting Policies – Continued

Assets, Liabilities and Net Assets - Continued

Accounts Receivable – Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances and a contractual allowance for third-party payors.

Inventories – Inventories are stated at lower of current cost or market.

Board Designated Assets – Board designated assets consist primarily of funds designated by the Board of Trustees for the improvement, replacement and expansion of capital assets. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes. Gifts and bequests whose use is restricted are also included in restricted assets.

Capital Assets – Capital assets are carried at cost. The Hospital computes depreciation on buildings and equipment using the straight-line method. Lives for the building and land improvements are five to sixty years, while the equipment lives range from five to twenty years.

Statement of Revenues, Expenses and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses.

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectable accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or adjustments to patient service revenue, depending on the timing of the charity determination.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 2: Cash and Investments

The Hospital's deposits in banks at June 30, 2007 and 2006 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities and certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by the Board of Commissioners.

The Hospital's investments at June 30, 2007 are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Accrued Interest</u>
Certificate of Deposit	3.90%	\$ <u>54,704</u>	\$ <u>409</u>

The investments are classified as Funded Depreciation.

The Hospital's investments at June 30, 2006 consisted of (4) certificates of deposit in the amount of \$864,902.

Note 3: Estimated Amounts Due From and Due to Contracting Agencies

The Hospital has entered into reimbursement agreements with the Social Security Administration and Hospital Service, Inc. of Iowa, for services rendered to Medicare, Medicaid, and Wellmark patients. The reimbursements are based on the costs of caring for these patients as determined by cost findings prepared annually; however, reimbursements cannot exceed the charges for the patient services. Medicare and Medicaid allow any excess of cost over charges to be carried forward and recovered in the subsequent two years. Recovery is limited to the extent that the cost finding for either year shows an excess of charges over costs.

Under the reimbursement agreements, interim payments at prevailing rates have been made to the Hospital during the year. The annual cost findings indicate the Hospital owed the agencies approximately \$203,000 at June 30, 2007. At June 30, 2006, the Hospital owed the agencies approximately \$77,260.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 4: Capital Assets

Capital assets are stated at acquisition cost. The cost by major category at June 30, 2007 and 2006 are as follows:

	2007	2006
Construction in progress	\$ -	\$ 5,092,631
Land	123,106	123,106
Land improvements	331,624	267,128
Buildings	14,028,895	8,921,034
Fixed equipment	1,737,489	1,729,557
Major moveable equipment	<u>3,951,213</u>	<u>3,723,917</u>
	20,172,327	19,857,373
Less accumulated depreciation	<u>(10,051,843)</u>	<u>(9,039,842)</u>
Total	\$ <u>10,120,484</u>	\$ <u>10,817,531</u>

Note 5: Construction in Progress

Commencing in May of 2003, the Hospital entered into a construction project totaling approximately \$5.1 million for the expansion of outpatient facilities. The project was completed in the spring of 2006 and capitalized in July of 2006, pending final inspections and payment of approximately \$40,000 of retainage. Financing was provided by \$750,000 of short-term lines of credit and \$4.2 million of new revenue bonds from First Citizens National Bank (see Note 7).

Note 6: Pension and Retirement Benefits

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.7% of their annual salary and the Hospital is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Hospital's contributions to IPERS for the years ended June 30, 2007 and 2006 were \$613,673 and \$427,886, respectively, equal to the required contributions for each year.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 6: Pension and Retirement Benefits - Continued

Deferred Compensation – The Hospital established a deferred compensation plan effective January 1, 1999. The plan is intended to comply with the requirements of IRC section 457. Every active employee is eligible to participate. Participants may defer \$15,000 annually, and are 100% vested at all times.

For the year ended June 30, 2007, Hospital participants deferred a total of \$301,760 compensation into the 457 plan. At June 30, 2007 plan assets held in trust at First Citizens Trust Company totaled \$1,613,641.

Since these funds are held in trust and are not under the Hospital's control, neither the plans assets or obligations are included in the Hospital's balance sheet.

Note 7: Long – term Debt

The following is a summary of long-term debt and related information at June 30, 2007:

	<u>Total</u>	<u>Current</u>	<u>Long-Term</u>
Revenue notes payable	\$ <u>6,270,783</u>	\$ <u>315,165</u>	\$ <u>5,955,618</u>

The bonds payable are revenue bonds issued under the provisions of Chapter 331.461 of the Code of Iowa and, as such, the principal and interest are payable from the revenue from operations of the Hospital. The details of the Hospital's bonded indebtedness are as follows:

1997 Revenue Bonds

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	5.13%	\$ 174,945	\$ 110,146	\$ 285,091
2009	5.13%	184,134	100,957	285,091
2010	5.13%	193,806	91,285	285,091
2011	5.13%	203,985	81,106	285,091
2012	5.13%	214,700	70,391	285,091
2013-2017	5.13%	<u>1,254,966</u>	<u>170,491</u>	<u>1,425,457</u>
Totals		\$ <u>2,226,536</u>	\$ <u>624,376</u>	\$ <u>2,850,912</u>

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 7: Long – term Debt – Continued

2004 Revenue Bonds

Year Ended June 30	Interest Rate	Principal	Interest	Total
2008	4.47%	\$ 140,109	\$ 177,931	\$ 318,040
2009	4.47%	146,502	171,538	318,040
2010	4.47%	153,186	164,854	318,040
2011	4.47%	160,176	157,864	318,040
2012	4.47%	167,485	150,555	318,040
2013-2017	4.47%	959,266	630,933	1,590,199
2018-2022	4.47%	1,199,012	391,187	1,590,199
2023-2026	4.47%	<u>1,118,511</u>	<u>100,638</u>	<u>1,219,149</u>
Totals		\$ <u>4,044,247</u>	\$ <u>1,945,500</u>	\$ <u>5,989,747</u>

The 2004 Revenue Bonds, issued May 26, 2004, bear interest at the initial rate of 4.47%, with principal and interest payments commencing April 26, 2006. The interest shall adjust on April 26, 2009 and every five years to an interest rate equal to five year Constant Maturity Treasury Index, but at no time shall the interest be more than 9% per annum or less than 4% per annum. At no time shall the interest rate increase or decrease by more than 2% on a subsequent Rate Adjustment Date. The Note will be amortized over a 20-year term from the completion of construction. Each monthly installment will be adjusted on the Rate of Adjustment Date to allow amortization of the remaining outstanding balance at the Adjusted Interest Rate over the remaining term of the note.

Note 8: Interest Cost

The Hospital's policy is to capitalize interest cost on construction in progress to the extent such construction is capitalized in the statement of net assets. When the financing for such construction is not associated with a specific borrowing, the Hospital determines the capitalization rate based on the rates applicable to borrowings outstanding during the period. For the year ended June 30, 2007, the Hospital capitalized \$0 of interest costs on construction loan advances and incurred total interest cost of \$327,987.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 9: Operating Leases

The Hospital has entered into agreements to lease equipment. These leases have been classified as operating leases and, accordingly, all rents are charged to expenses as incurred. The leases expire between January 31, 2007 and April 1, 2011. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2007:

Year Ended June 30	
2008	\$ 377,898
2009	272,288
2010	245,619
2011	188,446
2012	<u>29,683</u>
Totals	\$ <u>1,113,934</u>

Total rental expense for the year ended June 30, 2007 for all operating leases, except those with terms of a month or less that were not renewed, was \$582,353.

Note 10: Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 11: Related Party Transactions

Because of the existence of common trustees and other factors, Wright Medical Center and Wright Medical Foundation are related parties. The Foundation was formed to promote health care in Wright County. A summary of the Foundation's balance sheets as of June 30, 2007 and 2006 and the results of operations and changes in fund balances for the years then ended, which are not included in the Hospital's financial statements, are as follows:

	2007 (Unaudited)	2006 (Audited)
Balance Sheet		
Assets		
Cash and Investments	\$ 702,257	\$ 668,881
Accounts Receivable	77	3,219
Capital Assets – net of related debt	<u>682,103</u>	<u>445,471</u>
Total	<u>\$ 1,384,437</u>	<u>\$ 1,117,571</u>
Liabilities and Net Assets		
Accounts Payable	\$ 110,599	\$ 45,691
Unrestricted	1,230,426	1,053,557
Restricted	<u>43,412</u>	<u>18,323</u>
Total	<u>\$ 1,384,437</u>	<u>\$ 1,117,571</u>
Operations and Changes in Net Assets		
Donations	\$ 121,228	\$ 545,481
Assisted Living Facility - Net	21,244	(79,895)
Investment Income	35,292	10,092
Net Expenses - Foundation	(26,205)	(68,304)
Other Restricted Income – Net	<u>50,399</u>	<u>125,121</u>
Increase in Net Assets	201,958	532,495
Net Assets, Beginning of Year	<u>1,071,880</u>	<u>539,385</u>
Net Assets, End of Year	<u>\$ 1,273,838</u>	<u>\$ 1,071,880</u>

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 11: Related Party Transactions - Continued

In October of 2004, Wright Medical Foundation let bids for the construction of an 18-bed assisted living facility to be built on the campus of Wright Medical Center. Financing for this construction, which will total approximately \$2.3 million, is being provided by \$300,000 of private donations and a \$2.0 million low-interest loan from the USDA. The facility was first occupied for rent in February of 2006. The project had not been finalized as of June 30, 2006, pending final negotiations with the contractor.

Note 12: Prepaid Expenses

Prepaid expenses at June 30, current and non-current, consist of the following:

Name/Payee	Current	Non-Current
Rotary Club of Eagle Grove	\$ 36,000	\$ 305,500
Dr. Daniel Gabrielson	45,000	120,625
Dr. David Paustian	41,836	105,492
Dr. Amanda Tew	10,000	27,500
Eastman Kodak	10,394	38,687
Dairyland Healthcare	39,774	-
Insurance	4,934	-
Other professional fees	<u>4,770</u>	<u>-</u>
Total	<u>\$ 192,708</u>	<u>\$ 597,804</u>

Wright Medical Center (the Hospital) entered into a ten-year lease agreement with the Rotary Club of Eagle Grove, Iowa commencing on August 15, 2006. The Hospital paid \$360,000 prepaid rent for all of the base rent for the initial ten year term. The Rotary Club used the money to construct an 8,679 square foot wellness center which the Hospital will lease in entirety upon completion of construction.

The Hospital entered into an employment agreement with Dr. Daniel Gabrielson on January 17, 2006. Dr. Gabrielson is to provide professional physician services in exchange for salary and benefits. In addition, the Hospital loaned Dr. Gabrielson \$100,000 on February 1, 2006, \$50,000 on April 1, 2006, and \$50,000 on July 1, 2006, for a total of \$200,000. The note carries an annual interest rate of 6%. The note is due and payable by Dr. Gabrielson on demand by the Hospital in the event he terminates the employment agreement prior to March 1, 2010. The first \$100,000 is to be repaid in four equal installments: at July 30, 2006, 2008, 2009, and 2010. The second \$100,000 is being forgiven pro-rata over a four year period beginning in February, 2006 as long as the employment agreement remains in effect.

Wright Medical Center
Notes to Financial Statements
June 30, 2007 and 2006

Note 12: Prepaid Expenses - Continued

The Hospital entered into an employment agreement with Dr. David Paustian on May 28, 2006. Dr. Paustian is to provide professional physician services in exchange for salary and benefits. In addition, the Hospital paid Dr. Paustian a sign-on bonus of \$100,000, which is to be forgiven at the rate of \$20,000 a year for the next five years provided this employment agreement remains in effect. If Dr. Paustian leaves prior to completing five years of full-time employment, the repayment shall be subject to interest at the prime rate plus 1% per annum. Also, on September 1, 2006, the Hospital loaned Dr. Paustian \$87,345 plus accrued interest at the annual rate of 6%. The Hospital will forgive this note pro-rata over a four year period beginning September 1, 2006 as long as the employment agreement remains in effect. If the agreement is terminated prior to repayment or forgiveness of all principal and interest due, the outstanding balance will be due and payable immediately.

Note 13: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are residents of Wright County, Iowa and are insured under third-party payor agreements.

Required Supplementary Information

Wright Medical Center
Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Net Assets
Budget and Actual (Cash Basis)
Required Supplementary Information
Year Ended June 30, 2007

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budgeted Amounts		Final to Actual Cash Basis Variance
				Original	Amended	
Estimated other revenues/receipts	\$ 33,431,984	\$ (1,785,124)	\$ 31,646,860	\$ 25,000,000	\$ 25,000,000	\$ 6,646,860
Expenses / disbursements	<u>31,685,831</u>	<u>(933,478)</u>	<u>30,752,353</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>5,752,353</u>
Net	1,746,153	(851,646)	894,507	-	-	894,507
Balance, beginning of year	<u>9,126,440</u>	<u>(8,078,821)</u>	<u>1,047,619</u>	<u>1,047,619</u>	<u>1,047,619</u>	<u>-</u>
Balance, end of year	<u>\$ 10,872,593</u>	<u>\$ (8,930,467)</u>	<u>\$ 1,942,126</u>	<u>\$ 1,047,619</u>	<u>\$ 1,047,619</u>	<u>\$ 894,507</u>

Wright Medical Center
Notes to Required Supplementary Information
Budgetary Reporting
June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from Wright Medical Center preparing a budget on the cash basis accounting.

The Board of Commissioners annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Commissioners certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

Other Supplemental Information

Wright Medical Center
Patient Service Revenues
Years Ended June 30, 2007 and 2006

	Inpatient	Outpatient	Swingbed	Combined	2006
Patient Service Revenues					
Nursing	\$ 1,692,997	\$ -	\$ 391,659	\$ 2,084,656	\$ 1,754,595
Nursery	160,910	-	-	160,910	100,985
Observation	9,450	214,945	-	224,395	361,580
Operating room	5,868,829	7,166,675	(6,488)	13,029,016	5,587,530
Recovery room	197,835	173,704	(450)	371,089	133,615
Delivery room	493,846	49,044	-	542,890	369,318
Central service and supply	5,924,418	1,602,698	47,902	7,575,018	2,828,573
Emergency room	15,559	1,062,864	-	1,078,423	755,539
Cardiac rehabilitation	5,518	306,410	541	312,469	256,330
Laboratory	870,322	2,692,469	55,020	3,617,811	2,314,419
Blood Bank	201,500	52,303	4,010	257,813	94,030
Electrocardiology	49,855	145,266	806	195,927	127,305
Radiology	152,084	2,474,566	9,097	2,635,747	1,174,708
CT scans	190,375	2,383,662	14,650	2,588,687	1,482,675
Nuclear scans	3,025	587,782	-	590,807	433,779
Ultrasound	70,355	770,532	6,080	846,967	598,440
Magnetic resonance imaging	21,450	958,300	1,700	981,450	655,500
Pharmacy	1,279,087	1,303,309	150,124	2,732,520	1,880,167
Intravenous therapy	385,102	241,183	16,743	643,028	358,822
Anesthesiology	1,130,521	1,283,713	(1,470)	2,412,764	1,323,472
Physical therapy	244,980	786,146	65,943	1,097,069	845,411
Respiratory therapy	403,404	188,772	93,955	686,131	460,268
Occupational therapy	122,279	217,134	39,281	378,694	253,734
Speech therapy	2,213	55,938	5,252	63,403	28,243
Pulmonary and Respite	363,367	403,791	50,605	817,763	545,520
Emergency room physicians	484	419,110	-	419,594	385,549
Sleep center	6,962	729,281	433	736,676	733,241
Clinic	<u>548,616</u>	<u>3,397,705</u>	<u>131,997</u>	<u>4,078,318</u>	<u>3,702,396</u>
Total	20,415,343	29,667,302	1,077,390	51,160,035	29,545,744
<u>Less provision for</u>					
Bad debt				(1,466,108)	(765,417)
Contractual and other adjustments				(18,933,998)	(8,978,585)
Charity care				<u>(114,028)</u>	<u>(245,528)</u>
Net patient service revenues				<u>\$ 30,645,901</u>	<u>\$19,556,214</u>

Wright Medical Center
Other Operating Revenues
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Other Operating Revenues		
Residential fees	\$ 565,140	\$ 579,221
Retail pharmacy	1,882,670	1,706,567
Congregate and guest meals	196,167	162,973
Medical records fees	666	1,913
Miscellaneous	12,462	9,047
Grants	36,294	31,962
Fitness Center	<u>60,700</u>	<u>49,200</u>
Total	<u>\$2,754,099</u>	<u>\$2,540,883</u>

Wright Medical Center
Operating Expenses
Years Ended June 30, 2007 and 2006

	Salaries	Supplies	Combined	2006
Operating Expenses				
Nursing Services				
Nursing administrative	\$ 203,281	\$ 54,049	\$ 257,330	\$ 204,254
Nursing services	1,512,947	700,322	2,213,269	1,581,630
Nursery, delivery and labor rooms	773,373	131,002	904,375	326,941
Operating and recovery room	970,595	639,016	1,609,611	1,004,199
Central supply	113,775	4,017,040	4,130,815	1,760,630
Emergency and surgery	806,564	2,746,787	3,553,351	1,564,827
Cardiac rehabilitation	35,318	130,571	165,889	191,285
Infection control	-	432	432	8,196
Total nursing services	<u>4,415,853</u>	<u>8,419,219</u>	<u>12,835,072</u>	<u>6,641,962</u>
Other Professional Services				
Laboratory	370,542	592,280	962,822	729,445
Electrocardiology	7,239	2,697	9,936	7,938
Radiology	900,330	649,693	1,550,023	729,558
CT scans	-	267,870	267,870	250,271
Nuclear scans	-	165,260	165,260	108,952
Ultrasound	-	85,430	85,430	73,289
Magnetic resonance imaging	-	162,810	162,810	134,441
Pharmacy	195,831	658,089	853,920	567,761
Anesthesiology	302,407	677,868	980,275	664,385
Physical therapy	403,225	163,446	566,671	414,435
Respiratory therapy	-	513,416	513,416	326,484
Occupational therapy	121,791	52,606	174,397	120,646
Speech therapy	19,096	4,344	23,440	12,665
Sleep center	-	297,461	297,461	284,660
Medical records	<u>301,643</u>	<u>197,365</u>	<u>499,008</u>	<u>308,109</u>
Total other professional services	<u>2,622,104</u>	<u>4,490,635</u>	<u>7,112,739</u>	<u>4,733,039</u>

Wright Medical Center
Operating Expenses - Continued
Years Ended June 30, 2007 and 2006

	<u>Salaries</u>	<u>Supplies</u>	<u>Combined</u>	<u>2006</u>
Operating Expenses – Continued				
General Services				
Dietary	\$ 312,064	\$ 412,517	\$ 724,581	\$ 648,587
Housekeeping	283,024	125,298	408,322	341,291
Laundry and linen service	-	115,440	115,440	73,113
Maintenance of plant	<u>192,717</u>	<u>508,173</u>	<u>700,890</u>	<u>721,870</u>
Total general services	<u>787,805</u>	<u>1,161,428</u>	<u>1,949,233</u>	<u>1,784,861</u>
Fiscal and Administrative Services				
Administrative services	1,524,548	1,196,882	2,721,430	2,082,292
Unassigned expenses	<u>-</u>	<u>782,232</u>	<u>782,232</u>	<u>487,249</u>
Total fiscal and administrative	<u>1,524,548</u>	<u>1,979,114</u>	<u>3,503,662</u>	<u>2,569,541</u>
Residential Service	<u>46,648</u>	<u>274,074</u>	<u>320,722</u>	<u>356,566</u>
Clinic	<u>1,979,992</u>	<u>778,858</u>	<u>2,758,850</u>	<u>2,514,266</u>
Retail Pharmacy	<u>186,283</u>	<u>1,518,792</u>	<u>1,705,075</u>	<u>1,578,809</u>
Fitness Center	<u>74,484</u>	<u>71,762</u>	<u>146,246</u>	<u>82,539</u>
Depreciation	<u>-</u>	<u>1,012,001</u>	<u>1,012,001</u>	<u>746,657</u>
Total operating expenses	<u>\$11,637,717</u>	<u>\$19,705,883</u>	<u>\$31,343,600</u>	<u>\$21,008,240</u>

Wright Medical Center
Patient Receivables and Allowance for Doubtful Accounts
June 30, 2007 and 2006

Days Since Discharge	Analysis of Aging			
	2007		2006	
	Amount	Total	Amount	Total
0-30	\$ 3,939,874	42.5%	\$ 3,411,702	47.8%
31-60	2,027,786	21.8	1,584,731	22.2
61-90	878,595	9.5	724,296	10.1
91-120	708,951	7.6	442,566	6.2
121-180	563,308	6.1	359,815	5.1
180 and over	<u>1,162,630</u>	<u>12.5</u>	<u>615,085</u>	<u>8.6</u>
	9,281,144	<u>100.0%</u>	7,138,195	<u>100.0%</u>
Less				
Allowance for contractals	(1,405,000)		(1,528,634)	
Allowance for uncollectibles	<u>(1,427,000)</u>		<u>(860,000)</u>	
Total	<u>\$ 6,449,144</u>		<u>\$4,749,561</u>	

	Allowance for Doubtful Accounts	
	Year Ended June 30,	
	2007	2006
Balance beginning of year	\$ 860,000	\$ 582,000
Provision for bad debts	1,466,108	765,417
Recovery of accounts written off	201,582	156,823
Less accounts written off	<u>(1,100,690)</u>	<u>(644,240)</u>
Balance end of year	<u>\$ 1,427,000</u>	<u>\$ 860,000</u>

Wright Medical Center
Inventory / Prepaid Expense
June 30, 2007 and 2006

	2007	2006
Inventory		
Laboratory	\$ 49,215	\$ 48,879
Radiology	4,995	3,733
Pharmacy	99,233	66,675
Retail pharmacy	175,548	162,712
Surgery	183,306	51,815
Emergency room	11,500	6,225
Physical therapy	8,322	9,082
Dietary	16,378	16,723
Central Supply	<u>288,036</u>	<u>212,061</u>
Total inventories	\$ <u>836,533</u>	\$ <u>577,905</u>
Prepaid Expense		
Dairyland maintenance contract	\$ 39,774	\$ 31,580
Insurance	4,934	11,471
Other professional fees	<u>148,000</u>	<u>180,550</u>
Total prepaid expenses	\$ <u>192,708</u>	\$ <u>223,601</u>

Wright Medical Center
Changes in Property, Plant and Equipment
Years Ended June 30, 2007 and 2006

June 30, 2007	Cost			
	Beginning	Additions	Deletions	End of Year
Construction in progress	\$ 5,092,631	\$ (5,092,631)	\$ -	\$ -
Land	123,106	-	-	123,106
Land improvements	267,128	64,496	-	331,624
Buildings	8,921,034	5,107,861	-	14,028,895
Fixed equipment	1,729,557	7,932	-	1,737,489
Major movable equipment	<u>3,723,917</u>	<u>227,296</u>	<u>-</u>	<u>3,951,213</u>
Total	19,857,373	314,954	-	20,172,327

	Accumulated Depreciation			
	Beginning	Additions	Disposals	End of Year
Land improvements	\$ 133,207	\$ 17,876	\$ -	\$ 151,083
Buildings	5,186,424	596,136	-	5,782,560
Fixed equipment	1,154,552	82,131	-	1,236,683
Major movable equipment	<u>2,565,659</u>	<u>315,858</u>	<u>-</u>	<u>2,881,517</u>
Total	9,039,842	1,012,001	-	10,051,843

June 30, 2006	Cost			
	Beginning	Additions	Deletions	End of Year
Construction in progress	\$ 3,918,666	\$1,173,965	\$ -	\$ 5,092,631
Land	123,106	-	-	123,106
Land improvements	190,231	76,897	-	267,128
Buildings	8,907,933	13,101	-	8,921,034
Fixed equipment	1,627,780	101,777	-	1,729,557
Major movable equipment	<u>3,212,413</u>	<u>511,504</u>	<u>-</u>	<u>3,723,917</u>
Total	17,980,129	1,877,244	-	19,857,373

	Accumulated Depreciation			
	Beginning	Additions	Disposals	End of Year
Land improvements	\$ 121,250	\$ 11,957	\$ -	\$ 133,207
Buildings	4,840,605	345,819	-	5,186,424
Fixed equipment	1,071,593	82,959	-	1,154,552
Major movable equipment	<u>2,259,737</u>	<u>305,922</u>	<u>-</u>	<u>2,565,659</u>
Total	8,293,185	746,657	-	9,039,842

Wright Medical Center
Comparative Statistics
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Patient Days		
Medical and surgical	3,155	2,137
Swing bed		
Skilled care	620	1,306
Intermediate care	586	839
Nursery	<u>367</u>	<u>241</u>
Total	<u><u>4,728</u></u>	<u><u>4,523</u></u>
Admissions		
Acute	1,189	735
Swing bed, skilled	118	134
Swing bed, intermediate	<u>10</u>	<u>14</u>
Total	<u><u>1,317</u></u>	<u><u>883</u></u>
Average Length of Stay		
Acute	2.7	2.9
Swing bed, skilled	5.3	9.7
Swing bed, intermediate	58.6	59.9
Beds, Acute	25	25
Occupancy Percent, Acute	35.0	23.0
Net Patient Service Revenue per Calendar Day	\$ <u><u>83,961</u></u>	\$ <u><u>53,579</u></u>
Number of Days Net Patient Service Revenue in Net Patient Receivables at End of Year - Combined	<u><u>77</u></u>	<u><u>89</u></u>

Independent Auditor's Report on Compliance And on Internal Control over Financial Reporting

To the Board of Commissioners
Wright Medical Center
Clarion, Iowa

I have audited the accompanying financial statements of Wright Medical Center as of and for the years ended June 30, 2007 and 2006, and have issued my report thereon dated September 25, 2007. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wright Medical Center's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. I noted no matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Wright Medical Center's ability to record, process, summarize and report financial data consistent with the Wright Medical Center's assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wright Medical Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Hospital. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Wright Medical Center and other parties to whom Wright Medical Center may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wright Medical Center during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

David L. Seiler, CPA
September 25, 2007

Wright Medical Center
Scheduled Findings and Questioned Costs
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- A:** An unqualified opinion was issued on the financial statements
- B:** The audit did not disclose any non-compliance which is material to the financial statements.
- C:** The audit did not disclose any reportable conditions or material weaknesses in internal control over financial reporting.

Part II: Other Findings Related to Required Statutory Reporting:

Certified Budget – Hospital disbursements during the year ended June 30, 2007 did not exceed amounts budgeted.

Expenditures – No expenditures were found that did not meet the requirements of a public purpose.

Travel Expense – No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

Business Transactions – No business transactions between the Hospital and Hospital officials were discovered.

Board Minutes – No transactions were found that I believe should have been approved in the Board minutes but were not.

Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy were noted.